

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type		Local Unit Name		County		
<input type="checkbox"/> County	<input checked="" type="checkbox"/> City	<input type="checkbox"/> Twp	<input type="checkbox"/> Village	<input type="checkbox"/> Other	City of Leslie	Ingham
Fiscal Year End		Opinion Date		Date Audit Report Submitted to State		
06/30/2007		09/10/2007		12/07/2007		

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☒ ☐ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name)		Telephone Number	
Willis & Jurasek, P.C.		(517) 788-8660	
Street Address		City	State Zip
2545 Spring Arbor Road, Suite 200		Jackson	MI 49203
Authorizing CPA Signature		Printed Name	License Number
F. Roger Mack		F. Roger Mack	1101020342

City of Leslie

Financial Statements
And Independent Auditors' Report

Year Ended June 30, 2007

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Independent Auditors' Report

Honorable Mayor and Members of the City Council
City of Leslie
Leslie, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Leslie as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Leslie as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 10, 2007, on our consideration of the City's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii-viii and 26-29 are not a required part of the financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

WILLIS & JURASEK, P.C.

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Honorable Mayor and Members of the City Council
City of Leslie

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the City of Leslie. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Willis & Jurasek, P.C.
Willis & Jurasek, P.C.

September 10, 2007

City of Leslie
Management's Discussion and Analysis
Year Ended June 30, 2007

As management of the City of Leslie, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007.

The City as a Whole

The City's net assets remain stable, and in fact, are on the rise. The City continues to provide primary services to our residents.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include legislative, general government, public works and community and economic development. the business-type activities are water and sewer.

The government-wide financial statements can be found on pages 1-3 of this report.

City of Leslie
Management's Discussion and Analysis
Year Ended June 30, 2007

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains sixteen individual governmental funds (includes eleven debt funds). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major street and local street, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 4 and 6 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sanitary sewer and water distribution. *Internal service funds* account for operations that provide services for equipment rental and accumulate and allocate costs internally among the City's various functions. Because this service predominantly benefits governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for two major enterprise funds; water, and sewer.

The basic proprietary fund financial statements can be found on pages 8-10 of this report.

City of Leslie
Management's Discussion and Analysis
Year Ended June 30, 2007

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-25 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other information. This includes combining fund financial statements and schedules, which can be found on pages 33-36 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Leslie, assets exceeded liabilities by \$10,939,512 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets, about eighty-two percent (82%), reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In a condensed format, the table below shows net assets as of the current date:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current Assets	\$1,678,783	\$ 1,872,333	\$ 340,148	\$ 366,036
Non-Current Assets	<u>7,524,454</u>	<u>7,382,912</u>	<u>3,407,139</u>	<u>3,507,660</u>
Total Assets	<u>9,203,237</u>	<u>9,255,245</u>	<u>3,747,287</u>	<u>3,873,696</u>
Current Liabilities	90,426	59,520	5,586	7,439
Non-current Liabilities	<u>1,385,000</u>	<u>1,579,000</u>	<u>530,000</u>	<u>615,000</u>
Total Liabilities	<u>1,475,426</u>	<u>1,638,520</u>	<u>535,586</u>	<u>622,439</u>
Net assets:				
Invested in capital assets - net of related debt	6,139,454	5,803,912	2,877,139	2,892,660
Restricted for debt service	223,394	301,658	-	-
Unrestricted	<u>1,364,963</u>	<u>1,511,155</u>	<u>334,562</u>	<u>358,597</u>
Total net assets	<u>\$ 7,727,811</u>	<u>\$ 7,616,725</u>	<u>\$3,211,701</u>	<u>\$3,251,257</u>

City of Leslie
Management's Discussion and Analysis
Year Ended June 30, 2007

The following table shows the changes of the net assets as of the current date.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Program Revenues				
Charges for services	\$ 77,843	\$ 76,558	\$ 619,311	\$ 602,780
Operating grants	156,805	165,738		
General revenues				
Property taxes	594,551	753,412	-	-
State-shared revenue	260,447	266,504	-	-
Interest income	79,200	66,743	14,034	11,447
Transfers – internal activities	380,446	260,329	(81,600)	(61,240)
Other	<u>128,960</u>	<u>162,584</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,678,252</u>	<u>1,751,868</u>	<u>551,745</u>	<u>552,987</u>
Program expenses:				
General government	448,562	430,388	-	-
Public safety	177,245	350,621	-	-
Highways & streets	385,545	232,387	-	-
Culture & recreation	116,592	91,664		
Interest on long term debt	86,082	95,949		
Other	353,450	73,172		
Water and sewer	<u>-</u>	<u>-</u>	<u>591,299</u>	<u>583,319</u>
Total expenses	<u>1,567,476</u>	<u>1,274,181</u>	<u>591,299</u>	<u>583,319</u>
Change in net assets	\$ <u>111,086</u>	\$ <u>477,687</u>	\$ <u>(39,554)</u>	\$ <u>(30,332)</u>

The City's net assets continue to remain healthy.

Governmental Activities

The City total revenues have decreased slightly due to decrease in state shared revenues. Interest rates are increasing and we have been able to get more rate of return on our accounts. Every effort is made to carefully budget our available funds and we have been able to increase our assets, as well as maintain a stable cash flow.

Business Type Activities

The City's business-type activities consist of the Water and Sewer Enterprise Funds. The City provides water and sewer to approximately 99% of the City residents. Our Water & Sewer funds are stable at this time with adequate fund balances. We are in the process of going to a metered system for water and sewer billing. This should be completed by the end of 2008.

City of Leslie
Management's Discussion and Analysis
Year Ended June 30, 2007

General Fund Budgetary Highlights

Over the course of the year, usually twice, City Council amends the budget to take into account events happening during the year.

Capital Asset and Debt Administration

At the end of the 2006/2007 fiscal year, the City has a total investment of capital assets for its governmental and business-type activities as of YEAR END DATE of \$9,016,593, which is made up of a broad range of capital assets, including buildings, water and sewer structures, both above and below ground, and significant investments in streets.

Major capital asset events during the current fiscal year included the following:

- DPW Site Improvements of \$174,457
- New Basketball Courts in the amount of \$47,000
- Swimming pool renovations totaling \$38,475

The following table summarizes the fixed assets of the City as of the current year end:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 425,375	\$ 425,375	\$ 6,120	\$ 6,120
Construction in progress	-	70,322	-	-
Buildings and improvements	1,663,022	1,202,650	-	-
Equipment and vehicles	1,090,717	1,019,439	-	-
Distribution and collection systems	-	-	5,946,596	5,931,605
Infrastructure	9,800,678	9,687,222	-	-
Accumulated depreciation	<u>(5,455,338)</u>	<u>(5,022,096)</u>	<u>(2,545,577)</u>	<u>(2,430,065)</u>
Net capital assets	<u>\$7,524,454</u>	<u>\$7,382,912</u>	<u>\$3,407,139</u>	<u>\$3,507,660</u>

The following table summarized the debt outstanding at the current year end:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue bonds	\$ -	\$ -	\$ 530,000	\$ 615,000
General Obligation bonds	615,000	670,000	425,000	480,000
Special Assessment bonds	<u>235,000</u>	<u>299,000</u>	<u>-</u>	<u>-</u>
Net capital assets	<u>\$ 850,000</u>	<u>\$ 969,000</u>	<u>\$ 955,000</u>	<u>\$1,095,000</u>

The City's total debt decreased by \$259,000.

City of Leslie
Management's Discussion and Analysis
Year Ended June 30, 2007

Economic Factors and Next Year's Budgets and Rates

In the interest of attracting new economic development to the City, we strive to keep our operating millage down. The City has reduced their operating millage over the last few years. Also, as some of the time-long residents sell their property, the tax basis increases will bring additional revenue.

Contacting the City Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City office.

City of Leslie
Statement of Net Assets
June 30, 2007

	<u>Primary Government</u>			<u>Component Units</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>			
	<u>Activities</u>	<u>Activities</u>		<u>LDFA</u>	<u>EDC</u>	<u>DDA</u>
Assets:						
Cash and investments	\$ 1,346,340	\$ 334,531	\$ 1,680,871	\$ 593,681	\$ 110,298	\$ 49,514
Receivables	306,934	434	307,368	8,915	121,550	-
Internal balances	5,000	-	5,000	-	-	-
Prepaid expenses	20,509	5,183	25,692	-	-	-
Capital assets, net						
Not being depreciated	425,375	6,120	431,495	-	-	-
Being depreciated	<u>7,099,079</u>	<u>3,401,019</u>	<u>10,500,098</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>9,203,237</u>	<u>3,747,287</u>	<u>12,950,524</u>	<u>602,596</u>	<u>231,848</u>	<u>49,514</u>
Liabilities:						
Accounts payable	40,650	-	40,650	-	-	-
Accrued expenses	37,399	3,379	40,778	-	-	-
Accrued interest	12,377	2,207	14,584	-	-	-
Noncurrent liabilities:						
Due within one year	179,000	95,000	274,000	-	-	-
Due in more than one year	<u>1,206,000</u>	<u>435,000</u>	<u>1,641,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,475,426</u>	<u>535,586</u>	<u>2,011,012</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets:						
Invested in capital assets, net of related debt	6,139,454	2,877,139	9,016,593	-	-	-
Restricted for:						
Debt service	223,394	-	223,394	-	-	-
Unrestricted	<u>1,364,963</u>	<u>334,562</u>	<u>1,699,525</u>	<u>602,596</u>	<u>231,848</u>	<u>49,514</u>
Total net assets	<u>\$ 7,727,811</u>	<u>\$ 3,211,701</u>	<u>\$ 10,939,512</u>	<u>\$ 602,596</u>	<u>\$ 231,848</u>	<u>\$ 49,514</u>

See Notes to Financial Statements.

City of Leslie
Statement of Activities
Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government					
Governmental activities:					
General government	\$ 448,562	\$ 50,574	\$ 1,466	\$ -	\$ (396,522)
Public safety	177,245	7,778	-	-	(169,467)
Highways and streets	385,235	-	155,339	-	(229,896)
Culture and recreation	116,592	19,491	-	-	(97,101)
Interest on long-term debt	86,082	-	-	-	(86,082)
Other	<u>353,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(353,450)</u>
Total governmental activities	<u>1,567,166</u>	<u>77,843</u>	<u>156,805</u>	<u>-</u>	<u>(1,332,518)</u>
Business-type activities:					
Water and sewer	<u>591,299</u>	<u>619,311</u>	<u>-</u>	<u>-</u>	<u>28,012</u>
Total business-type activities	<u>591,299</u>	<u>619,311</u>	<u>-</u>	<u>-</u>	<u>28,012</u>
Total primary government	<u>\$ 2,158,465</u>	<u>\$ 697,154</u>	<u>\$ 156,805</u>	<u>\$ -</u>	<u>\$ (1,304,506)</u>
Component Units					
LDFA	\$ 181,646	\$ -	\$ -	\$ -	\$ (181,646)
EDC	90,560	-	-	-	(90,560)
DDA	<u>52,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,910)</u>
Total component units	<u>\$ 325,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (325,116)</u>

continued..

City of Leslie
Statement of Activities (Continued)
Year Ended June 30, 2007

	<u>Primary Government</u>					
	<u>Governmental</u>	<u>Business-</u> <u>Type</u>	<u>Total</u>	<u>Component Units</u>		
				<u>LDFA</u>	<u>EDC</u>	<u>DDA</u>
	<u>Activities</u>	<u>Activities</u>				
Changes in Net Assets						
Net (expense) revenue	\$ (1,332,518)	\$ 28,012	\$ (1,304,506)	\$ (181,646)	\$ (90,560)	\$ (52,910)
General revenues:						
Taxes and special assessments	594,551	-	594,551	377,478	-	109,593
Unrestricted grants and contributions	260,447	-	260,447	-	-	-
Interest and investment earnings	79,200	14,034	93,234	34,697	11,959	5,587
Other revenues	128,960	-	128,960	36,300	74,821	2,105
Transfers - internal activities	380,446	(81,600)	298,846	(197,068)	-	(101,778)
Total general revenues, contributions and transfers	1,443,604	(67,566)	1,376,038	251,407	86,780	15,507
Changes in Net Assets	111,086	(39,554)	71,532	69,761	(3,780)	(37,403)
Net Assets - Beginning of Year	7,616,725	3,251,255	10,867,980	532,835	235,628	86,917
Net Assets - End of Year	<u>\$ 7,727,811</u>	<u>\$ 3,211,701</u>	<u>\$ 10,939,512</u>	<u>\$ 602,596</u>	<u>\$ 231,848</u>	<u>\$ 49,514</u>

See Notes to Financial Statements.

City of Leslie
Balance Sheet
Governmental Funds
June 30, 2007

	General	Major Street	Local Street	1997 Street Obligation	Other Nonmajor Governmental Funds	Total
<u>Assets</u>						
Cash	\$ 322,647	\$ 172,505	\$ 148,623	\$ 46,413	\$ 307,974	\$ 998,162
Receivables:						
Special assessments	-	51,200	60,134	55,390	62,612	229,336
Due from other governmental units	53,213	18,245	6,140	-	-	77,598
Due from other funds	5,000	-	-	-	-	5,000
Prepaid expenditures	20,395	57	57	-	-	20,509
Total assets	<u>\$ 401,255</u>	<u>\$ 242,007</u>	<u>\$ 214,954</u>	<u>\$ 101,803</u>	<u>\$ 370,586</u>	<u>\$ 1,330,605</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 20,750	\$ -	\$ -	\$ -	\$ 19,900	\$ 40,650
Salaries payable	37,399	-	-	-	-	37,399
Deferred revenue	-	51,200	60,134	55,390	62,612	229,336
Total liabilities	<u>58,149</u>	<u>51,200</u>	<u>60,134</u>	<u>55,390</u>	<u>82,512</u>	<u>307,385</u>
Fund Balances:						
Unreserved; undesignated	343,106	190,807	154,820	-	-	688,733
Unreserved; undesignated- reported in nonmajor:						
Special revenue funds	-	-	-	-	202,483	202,483
Debt service funds	-	-	-	46,413	85,591	132,004
Total fund balances	<u>343,106</u>	<u>190,807</u>	<u>154,820</u>	<u>46,413</u>	<u>288,074</u>	<u>1,023,220</u>
Total liabilities and fund balances	<u>\$ 401,255</u>	<u>\$ 242,007</u>	<u>\$ 214,954</u>	<u>\$ 101,803</u>	<u>\$ 370,586</u>	<u>\$ 1,330,605</u>

See Notes to Financial Statements.

City of Leslie
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets
of Governmental Activities on the Statement of Net Assets
June 30, 2007

Total Fund Balances - Governmental Funds **\$ 1,023,220**

Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds.

The cost of the capital assets is

\$ 11,956,066

Accumulated depreciation is

(4,600,518)

7,355,548

Because the focus of governmental funds is on short-term financing,
some assets will not be available to pay for current-period expenditures.
Those assets (such as certain receivables) are offset by deferred revenues
in the governmental funds, and these are not included in fund balance.

Deferred special assessments

229,336

Internal service funds are used by management to charge the costs of certain
equipment usage and administrative costs to individual governmental funds.
The assets and liabilities of the internal service funds are included in governmental
activities in the Statement of Net Assets.

Net assets of governmental activities accounted for in the internal service fund

517,084

Long-term liabilities not due and payable in the current period
and not reported in the funds:

Bonds payable

(1,385,000)

Accrued interest

(12,377)

Total Net Assets - Governmental Activities

\$ 7,727,811

City of Leslie
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2007

	General	Major Street	Local Street	1997 Street Obligation	Other Nonmajor Governmental Funds	Total
Revenues:						
Taxes and special assessments	\$ 492,714	\$ 26,301	\$ 49,914	\$ 12,800	\$ 37,109	\$ 618,838
Licenses and permits	286	-	-	-	-	286
Intergovernmental	260,447	111,129	44,210	-	-	415,786
Charges for services	41,775	-	-	-	7,778	49,553
Other	67,262	9,098	5,892	6,597	16,948	105,797
Reimbursements	49,939	-	-	-	-	49,939
Contributions	<u>54,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,000</u>
Total revenues	<u>966,423</u>	<u>146,528</u>	<u>100,016</u>	<u>19,397</u>	<u>61,835</u>	<u>1,294,199</u>
Expenditures:						
General government	440,692	1,814	618	-	-	443,124
Public safety	325,194	-	-	-	10,737	335,931
Highways and streets	111,063	112,148	110,633	-	-	333,844
Culture and recreation	97,927	-	-	-	-	97,927
Debt service:						
Principal payments	-	-	-	65,000	129,000	194,000
Interest and fiscal charges	-	-	-	21,998	65,744	87,742
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>353,450</u>	<u>353,450</u>
Total expenditures	<u>974,876</u>	<u>113,962</u>	<u>111,251</u>	<u>86,998</u>	<u>558,931</u>	<u>1,846,018</u>
Revenues Over (Under) Expenditures	<u>(8,453)</u>	<u>32,566</u>	<u>(11,235)</u>	<u>(67,601)</u>	<u>(497,096)</u>	<u>(551,819)</u>
Other Financing Sources (Uses):						
Operating transfers in	-	-	30,000	28,785	432,311	491,096
Operating transfers out	<u>(80,650)</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(110,650)</u>
Total other financing sources (uses)	<u>(80,650)</u>	<u>(30,000)</u>	<u>30,000</u>	<u>28,785</u>	<u>432,311</u>	<u>380,446</u>
Net Changes in Fund Balances	<u>(89,103)</u>	<u>2,566</u>	<u>18,765</u>	<u>(38,816)</u>	<u>(64,785)</u>	<u>(171,373)</u>
Fund Balances - Beginning of Year	<u>432,209</u>	<u>188,241</u>	<u>136,055</u>	<u>85,229</u>	<u>352,859</u>	<u>1,194,593</u>
Fund Balances - End of Year	<u>\$ 343,106</u>	<u>\$ 190,807</u>	<u>\$ 154,820</u>	<u>\$ 46,413</u>	<u>\$ 288,074</u>	<u>\$ 1,023,220</u>

See Notes to Financial Statements.

City of Leslie
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Governmental Funds
Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds **\$ (171,373)**

Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the
Statement of Activities, these costs are allocated over their estimated
useful lives as depreciation.

Depreciation expense	\$ (418,848)	
Capital outlay	<u>503,506</u>	84,658

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the funds, but rather are deferred
to the following fiscal year.

Current year deferred special assessments	(25,753)
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Bond proceeds are reported as financing sources in governmental funds
and thus contribute to the change in fund balance. In the Statement of Net
Assets, however, issuing debt increases long-term liabilities and does not
affect the Statement of Activities. Similarly, repayment of principal is an
expenditure in the governmental funds but reduces the liability in the
Statement of Net Assets.

Repayment to bond holders	194,000
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An internal service fund is used by management to charge the costs of
certain equipment usage to individual governmental funds. The net revenue
(expense) of the fund attributable to those funds is reported with
governmental activities.

Net income from governmental activities in the internal service fund	27,894
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Some expenses reported in the Statement of Activities do not require the use
of current financial resources and therefore are not reported as expenditures
in the funds.

Decrease in accrued interest payable on bonds	<u>1,660</u>
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Change in Net Assets of Governmental Activities	<u>\$ 111,086</u>
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City of Leslie
Statement of Net Assets
Proprietary Funds
June 30, 2007

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Water and Sewer Fund</u>	<u>Motor Vehicle Pool Fund</u>
Assets		
Current assets:		
Cash	\$ 334,531	\$ 348,178
Accounts receivable	434	-
Prepaid expenses	<u>5,183</u>	<u>-</u>
Total current assets	<u>340,148</u>	<u>348,178</u>
Property, plant and equipment:		
Land and improvements	6,120	-
Plant and equipment	<u>5,946,597</u>	<u>1,023,728</u>
	5,952,717	1,023,728
Less accumulated depreciation	<u>(2,545,578)</u>	<u>(854,822)</u>
Total property, plant and equipment	<u>3,407,139</u>	<u>168,906</u>
Total assets	<u>3,747,287</u>	<u>517,084</u>
Liabilities:		
Current liabilities (payable from current assets):		
Accrued expenses	3,379	-
Current portion of bonds payable	95,000	-
Accrued interest	<u>2,207</u>	<u>-</u>
Total current liabilities (payable from current assets)	<u>100,586</u>	<u>-</u>
Noncurrent liabilities:		
Bonds payable	<u>435,000</u>	<u>-</u>
Total noncurrent liabilities	<u>435,000</u>	<u>-</u>
Total liabilities	<u>535,586</u>	<u>-</u>
Net Assets:		
Invested in capital assets, net of related debt	2,877,139	168,906
Unrestricted	<u>334,562</u>	<u>348,178</u>
Total net assets	<u>\$ 3,211,701</u>	<u>\$ 517,084</u>

See Notes to Financial Statements.

City of Leslie
Statement of Revenues, Expenses and
Changes in Net Assets - Proprietary Funds
Year Ended June 30, 2007

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Water and Sewer Fund</u>	<u>Motor Vehicle Pool Fund</u>
Operating Revenues:		
Charges for services	\$ 600,689	\$ -
Rental income	4,888	123,515
Tap-in and turn-on fees	5,088	-
Penalties	<u>8,646</u>	<u>-</u>
Total operating revenues	619,311	123,515
Operating Expenses	<u>553,964</u>	<u>114,903</u>
Operating Income	<u>65,347</u>	<u>8,612</u>
Non-Operating Revenues (Expenses):		
Interest income	14,034	19,282
Interest expense	<u>(37,335)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(23,301)</u>	<u>19,282</u>
Net Income Before Transfers	42,046	27,894
Transfers Out to Other Funds	<u>(81,600)</u>	<u>-</u>
Net Income	(39,554)	27,894
Net Assets - Beginning of Year	<u>3,251,255</u>	<u>489,190</u>
Net Assets - End of Year	<u>\$ 3,211,701</u>	<u>\$ 517,084</u>

See Notes to Financial Statements.

City of Leslie
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2007

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Water and Sewer Fund</u>	<u>Motor Vehicle Pool Fund</u>
Cash Flows from Operating Activities		
Cash received from customers, residents and users	\$ 621,300	\$ 123,515
Other operating receipts	0	-
Cash paid to employees and suppliers	<u>(439,954)</u>	<u>(75,684)</u>
Net cash provided by operating activities	<u>181,346</u>	<u>47,831</u>
Cash Flows from Capital and Related Financing Activities		
Bond payments on capital debt	(85,000)	-
Interest payments on capital debt	(37,687)	-
Purchase of capital assets, net	<u>(14,991)</u>	<u>(97,745)</u>
Net cash used by capital and related financing activities	<u>(137,678)</u>	<u>(97,745)</u>
Cash Flows from Investing Activities		
Transfers to other funds	(81,600)	
Interest income received	<u>14,034</u>	19,282
Net cash provided by investing activities	<u>(67,566)</u>	19,282
Net Increase (Decrease) in Cash and Cash Equivalents	(23,898)	(30,632)
Cash and Cash Equivalents, Beginning of Year	<u>358,429</u>	<u>378,810</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 334,531</u></u>	<u><u>\$ 348,178</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 65,347	\$ 8,612
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	115,512	36,746
(Gain)/loss on asset disposal	-	2,648
(Increase) decrease in:		
Receivables	1,990	-
Increase (decrease) in:		
Accrued expenses	<u>(1,503)</u>	<u>(175)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 181,346</u></u>	<u><u>\$ 47,831</u></u>

See Notes to Financial Statements.

City of Leslie
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ <u>118,248</u>
Liabilities:	
Advance due other funds	\$ 5,000
Due to other agencies	<u>113,248</u>
 Total liabilities	 \$ <u>118,248</u>

City of Leslie
Notes to Financial Statements

1. Summary of Significant Accounting Policies

Description of City Operations

The City of Leslie, Michigan, was organized in 1968 and covers an area of approximately one square mile in Ingham County. The City operates under an elected Mayor and City Council (6 members) and provides services to its residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services. The criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. Education services are provided through the local school system, which is a separate governmental entity and, therefore, is not represented in the financial statements included herein.

Reporting Entity

Generally accepted accounting principles require the reporting entity to include the City of Leslie (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government. These financial statements present the following component units:

Discretely Presented Component Units

Local Development Finance Fund (LDFA) - The Local Development Finance Fund was formed to help stimulate economic growth, improve employment and encourage new private investments in the City to be financed by increased property values in the business park.

Economic Development Fund (EDC) - The Economic Development Fund was formed to assist in the attraction, relocation, retention or expansion for businesses or organizations, which are desirable and beneficial to the City. The funds that are loaned to the businesses or organizations come from the Michigan Department of Commerce through the Small Cities Community Development Block Grant.

Downtown Development Fund (DDA) - The Downtown Development Fund was formed to enhance the City's business district by preservation, creation and implementation of the development plans in the district to be financed by taxes from properties within its district.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

City of Leslie
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Fund-Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

City of Leslie
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The government reports the following major governmental funds:

General Fund – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the major street functions of the City.

Local Street Fund – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the local street functions of the City.

1997 Street Obligation Debt Fund – This fund is used to account for the accumulation of resources for and the payment of principal and interest on the 1997 Street Project.

The government reports the following major proprietary funds:

Water and Sewer Fund – The Water and Sewer Fund accounts for the activities of the government's sewage collection and treatment systems and water production, purification, and distribution systems.

Additionally, the government reports the following fund types:

Special Revenue Funds – These funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects).

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

Capital Project Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

Internal Service Funds – The internal service funds account for operations that provide services (equipment rental) to other departments of the City on a cost-reimbursement basis.

Agency Funds – These fiduciary funds account for assets held for other governments in an agency capacity.

Additional Financial Statement Presentation Information – Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

City of Leslie
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additional Financial Statement Presentation (Continued) - Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund and of the government's internal service fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The City reports its investments (when applicable) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the City intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the City to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The City is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value.

City of Leslie
Notes to Financial Statements

2. Stewardship, Compliance and Accountability

The general and special revenue funds are the governmental fund types under formal budgetary control. The City adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and annual appropriation act to implement the budget.

- 1) A general, special revenue and debt service funds budget is presented to the City Council in April, at which time hearings on the budget are scheduled. A Public Hearing is held in May and a budget workshop may be held in March or April to give all elected officials the opportunity to discuss their budget with the Council.
- 2) The budget, and an appropriation ordinance implementing it, is then adopted in June.
- 3) Formal budget integration is employed as a management control device during the year for all funds.
- 4) Budgets presented for the general and special revenue funds were prepared on the modified cash basis of accounting. Encumbrances are not recorded at year end.
- 5) Expenditures may not legally exceed activity (department) totals in the general fund. All other special revenue funds cannot legally exceed their respective fund totals.
- 6) Budgets for the current year are carefully reviewed during the year for any revision of estimates. Proposed increases or reductions in appropriations are presented to the Council for their action. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.
- 7) The City Council has the authority to amend all budgets at the fund level through the appropriation ordinance. It further has the right to amend the general fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without Council approval but not between departments. Violations for the General Fund, if any, are noted in the required supplementary information section.
- 8) The budgetary information presented has been amended during the year by an official action of the City Council. The amendments were not significant in total.
- 9) All budget appropriations lapse at the end of each fund's fiscal year.

3. Cash and Cash Equivalents

To facilitate better management of the City's resources, cash is combined in a pooled operating account for much of the City's activity.

At year-end, the City's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	\$ 1,346,340	\$ 334,531	\$ 1,680,871	\$ 753,493	\$ 118,248	\$ 2,552,612

City of Leslie
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Compensated Absences – It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation, sick and personal days are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if the obligation is expected to be liquidated from expendable available financial resources.

Long-Term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Property Taxes - The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through September 30; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Ingham County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the City for 2006 had a taxable value of approximately \$39,379,000 (not including properties subject to Industrial Facilities Tax exemption). The government's general operating tax rate for fiscal year 2006-07 was 16.6000 mills, with an additional .5000 mills levied for debt services.

Revenue for the DDA and LDFA are derived from the capture of property taxes, based on tax increment financing agreements between the DDA and LDFA and other related taxing districts. Under this arrangement, the DDA and LDFA receive these revenue based on property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City of Leslie, which are within the DDA and LDFA district. Revenues are recognized in the fiscal year in which they are levied.

City of Leslie
Notes to Financial Statements

2. Stewardship, Compliance and Accountability

The general and special revenue funds are the governmental fund types under formal budgetary control. The City adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and annual appropriation act to implement the budget.

- 1) A general, special revenue and debt service funds budget is presented to the City Council in April, at which time hearings on the budget are scheduled. A Public Hearing is held in May and a budget workshop may be held in March or April to give all elected officials the opportunity to discuss their budget with the Council.
- 2) The budget, and an appropriation ordinance implementing it, is then adopted in June.
- 3) Formal budget integration is employed as a management control device during the year for all funds.
- 4) Budgets presented for the general and special revenue funds were prepared on the modified cash basis of accounting. Encumbrances are not recorded at year end.
- 5) Expenditures may not legally exceed activity (department) totals in the general fund. All other special revenue funds cannot legally exceed their respective fund totals.
- 6) Budgets for the current year are carefully reviewed during the year for any revision of estimates. Proposed increases or reductions in appropriations are presented to the Council for their action. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.
- 7) The City Council has the authority to amend all budgets at the fund level through the appropriation ordinance. It further has the right to amend the general fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without Council approval but not between departments.
- 8) The budgetary information presented has been amended during the year by an official action of the City Council. The amendments were not significant in total.
- 9) All budget appropriations lapse at the end of each fund's fiscal year.

3. Cash and Cash Equivalents

To facilitate better management of the City's resources, cash is combined in a pooled operating account for much of the City's activity.

At year-end, the City's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	\$ <u>1,346,340</u>	\$ <u>334,531</u>	\$ <u>1,680,871</u>	\$ <u>753,493</u>	\$ <u>118,248</u>	\$ <u>2,552,612</u>

City of Leslie
Notes to Financial Statements

3. Cash and Cash Equivalents (Continued)

The breakdown between deposits and investments for the City is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 2,080,450
MBIA Michigan Class investment funds (at fair value)	471,682
Petty cash and cash on hand	<u>480</u>
Total	<u>\$ 2,552,612</u>

Investment and Deposit Risk

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. The City's investment policy does not have specific limits in excess of State law on investment credit risk. The City's investment in the pooled short term investment fund of MBIA is not rated however MBIA Michigan Class as a whole is rated AAA.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City has not adopted and State law does not require a policy for deposit custodial credit risk. As of year end, \$2,418,053 of the City's bank balance of \$2,618,053 was exposed to custodial credit risk because it was uninsured and uncollateralized.

4. Receivables

Receivables of the governmental activities of the primary government at year end, consist of the following:

Other governmental units (primarily the State of Michigan)	\$ 77,598
Special assessments	<u>229,336</u>
	<u>\$ 306,934</u>

City of Leslie
Notes to Financial Statements

5. Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 425,375	\$ -	\$ -	\$ 425,375
Construction in progress	70,322	-	(70,322)	-
Total capital assets not being depreciated	<u>495,697</u>	<u>-</u>	<u>(70,322)</u>	<u>425,375</u>
Capital assets being depreciated:				
Buildings and improvements	1,202,650	460,371	-	1,663,021
Equipment and vehicles	1,019,439	97,745	(26,467)	1,090,717
Infrastructure	<u>9,687,222</u>	<u>113,456</u>	<u>-</u>	<u>9,800,678</u>
Total capital assets being depreciated	<u>11,909,311</u>	<u>671,573</u>	<u>(26,467)</u>	<u>12,554,416</u>
Accumulated depreciation:				
Buildings and improvements	258,738	24,552	-	283,290
Equipment and vehicles	868,207	44,935	(23,818)	889,324
Infrastructure	<u>3,895,151</u>	<u>387,573</u>	<u>-</u>	<u>4,282,724</u>
Total accumulated depreciation	<u>5,022,096</u>	<u>457,060</u>	<u>(23,818)</u>	<u>5,455,338</u>
Total capital assets being depreciated - net	<u>6,887,215</u>	<u>214,513</u>	<u>(2,649)</u>	<u>7,099,079</u>
Governmental activities capital assets - net	<u>\$ 7,382,912</u>	<u>\$ 214,513</u>	<u>\$ (72,971)</u>	<u>\$ 7,524,454</u>
<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 6,120	\$ -	\$ -	\$ 6,120
Total capital assets not being depreciated	<u>6,120</u>	<u>-</u>	<u>-</u>	<u>6,120</u>
Capital assets being depreciated:				
Water system	1,564,922	14,991	-	1,579,913
Sewer system	4,206,185	-	-	4,206,185
Iron removal system	<u>160,498</u>	<u>-</u>	<u>-</u>	<u>160,498</u>
Total capital assets being depreciated	<u>5,931,605</u>	<u>14,991</u>	<u>-</u>	<u>5,946,596</u>
Accumulated depreciation	<u>2,430,065</u>	<u>115,512</u>	<u>-</u>	<u>2,545,577</u>
Total capital assets being depreciated - net	<u>3,501,540</u>	<u>(100,521)</u>	<u>-</u>	<u>3,401,019</u>
Business-type activities capital assets - net	<u>\$3,507,660</u>	<u>\$ (100,521)</u>	<u>\$ -</u>	<u>\$3,407,139</u>

City of Leslie
Notes to Financial Statements

5. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 5,438
Public safety	12,563
Highways and streets	383,648
Culture and recreation	18,665
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>36,746</u>
Total depreciation expense – governmental activities	<u>\$ 457,060</u>
Business-Type Activities:	
Sewer and water	<u>\$ 115,512</u>

6 Interfund Receivables, Payables and Transfers

The City reports interfund balances between many of its funds. The sum of all balances presented in the tables below agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and proprietary funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	<u>Receivable</u>	<u>Payable</u>
Due from/to other funds:		
General Fund	\$ 5,000	\$ -
Fiduciary Fund	<u>-</u>	<u>5,000</u>
	<u>\$ 5,000</u>	<u>\$ 5,000</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
Transfers:		
General Fund	\$ -	\$ 80,650
Major Street Fund	-	30,000
Local Street Fund	30,000	-
Enterprise Fund	-	81,600
Internal Service Fund	-	-
1997 Street Obligation Debt	28,785	-
Nonmajor Governmental Funds	432,311	-
LDFA	-	197,068
DDA	<u>-</u>	<u>101,778</u>
	<u>\$ 491,096</u>	<u>\$ 491,096</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

City of Leslie
Notes to Financial Statements

7. Long-Term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities and special assessments for sidewalks and streets. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

Governmental activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds	\$ <u>1,579,000</u>	\$ <u>-</u>	\$ <u>194,000</u>	\$ <u>1,385,000</u>	\$ <u>179,000</u>

General obligation and special assessment bonds outstanding as of June 30, 2007 are as follows:

	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
1994 Sewer System Improvements	6.65 – 6.70	2013	\$ 235,000
1994 Sewer System Improvements	5.90 – 6.20	2013	190,000
1997 Bellevue Street	5.00 – 5.00	2011	110,000
1997 Bellevue Street	5.35 – 5.60	2012	145,000
1997 Bellevue Street	5.35 – 5.55	2011	100,000
1998 Street Improvement	4.55 – 4.80	2012	90,000
1998 Street Improvement	4.55 – 4.80	2012	35,000
2000 Street Improvement	5.85 – 5.85	2011	25,000
2000 Streetscape	5.85 – 5.85	2011	20,000
2000 Streetscape	5.30 – 5.60	2016	195,000
2002 Fire Station	4.10 – 5.00	2016	240,000
			<u>\$ 1,385,000</u>

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 179,000	\$ 74,259	\$ 253,259
2009	189,000	64,370	253,370
2010	199,000	53,815	252,815
2011	209,000	42,725	251,725
2012	224,000	30,930	254,930
2013-2017	<u>385,000</u>	<u>38,778</u>	<u>423,778</u>
Total	<u>\$ 1,385,000</u>	<u>\$ 304,877</u>	<u>\$ 1,689,877</u>

City of Leslie
Notes to Financial Statements

7. Long-Term Debt (Continued)

Enterprise activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-Type Activities:					
Bonds	\$ <u>615,000</u>	\$ <u> </u> -	\$ <u>85,000</u>	\$ <u>530,000</u>	\$ <u>95,000</u>
		<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>	
1992 Water Tower		4.50 - 4.80	2012	\$ 285,000	
1997 Bellevue Street		5.25 - 5.50	2012	<u>245,000</u>	
				\$ <u>530,000</u>	

Annual debt service requirements to maturity on the above revenue bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 95,000	\$ 32,570	\$ 127,570
2009	100,000	26,810	126,810
2010	105,000	20,690	125,690
2011	110,000	14,250	124,250
2012	<u>120,000</u>	<u>7,445</u>	<u>127,445</u>
Total	\$ <u>530,000</u>	\$ <u>101,765</u>	\$ <u>631,765</u>

8. Other Individual Fund Disclosures

The Community Development Block Grant was established to account for federal funds received under provisions of the Housing and Community Development Act of 1974.

The City established an EDC fund in fiscal year 1983 to collect loans made to area businesses under a Michigan Small Cities Block Grant. Principal repayments made by these businesses are shown as reimbursement to the EDC fund. The balance of these loans at June 30, 2007 that will be received by the EDC fund are as follows:

Leslie Coin Laundry, Inc. - Monthly payments of \$1,175 including interest at 8.25% per annum	\$ 71,745
Kathleen Stetler and Michael Walraven - Monthly payments of \$478 including interest at 5% per annum	25,892
Shari Burke - Monthly payments of \$400 including interest at 5% per annum.	<u>23,913</u>
Total	\$ <u>121,550</u>

City of Leslie
Notes to Financial Statements

9. Retirement System

Description of Plan and Plan Assets

The City is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the applicable percentage times the final average compensation (FAC) according to the various classifications within the City Departments with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2006.

MERS was organized pursuant to Section 12a of Act 156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's personnel policy. Employees contribute 5% of payroll. The City is required to contribute at an actuarially determined rate.

Annual Pension Cost

During the fiscal year ended June 30, 2007, the City's contributions totaling \$69,467 were made in accordance with contribution requirements determined by an actuarial valuation of the plan. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three-Year Trend Information as of December 31 follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Annual Pension Cost	\$67,296	\$68,974	\$58,637
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	0	0	0
Actuarial Value of Assets	886,768	767,269	613,385
Actuarial Accrued Liability	1,428,295	1,343,829	1,230,961
Unfunded AAL	541,529	576,560	617,576
Funded Ratio	62%	57%	50%
Covered Payroll	377,854	408,198	389,881
UAAL as a Percentage of Covered Payroll	143%	141%	158%

City of Leslie
Notes to Financial Statements

10. Segment Information – Enterprise Funds

The government issued revenue bonds to finance certain improvements to its water and sewer distribution and treatment systems. Because the Water and Sewer Fund, which is an individual fund that accounts entirely for the government's water distribution and treatment and sewage disposal and treatment activities, is reported as a major fund in the fund financial statements, segment disclosures herein are not required.

11. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2007, the City carried commercial insurance to cover all risks of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

Required Supplemental Information

City of Leslie
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2007

	Budgeted Amounts		
	Original	Final	Actual
Revenues:			
Taxes	\$ 519,450	\$ 519,450	\$ 492,714
Licenses and permits	400	400	286
Intergovernmental	268,229	268,229	260,447
Charges for services	26,500	26,500	41,775
Other	126,650	53,150	67,262
Reimbursements	50,900	50,900	49,939
Contributions	54,000	54,000	54,000
Total revenues	<u>1,046,129</u>	<u>972,629</u>	<u>966,423</u>
Expenditures:			
General government:			
Council	17,250	17,250	15,334
Administrative	94,010	94,010	94,972
Assessor	19,400	19,400	18,702
Attorney	10,000	10,000	4,825
Clerk	74,425	74,425	75,857
Treasurer	68,942	68,942	66,478
Board of review	540	595	592
City hall	48,410	48,410	43,775
Library	1,950	1,950	1,552
Cemetery	65,600	69,430	70,138
Other	<u>53,253</u>	<u>53,253</u>	<u>48,467</u>
Total general government	<u>453,780</u>	<u>457,665</u>	<u>440,692</u>
Public safety:			
Police	258,440	258,440	261,175
Fire	<u>71,185</u>	<u>71,185</u>	<u>64,019</u>
Total public safety	<u>329,625</u>	<u>329,625</u>	<u>325,194</u>
Highways, streets and transportation:			
Street lights	32,000	32,000	30,197
Sidewalks	6,700	6,700	1,760
Public works department	<u>80,040</u>	<u>80,040</u>	<u>79,106</u>
Total highways, streets and transportation	<u>118,740</u>	<u>118,740</u>	<u>111,063</u>
Culture and recreation:			
Pool	45,100	45,100	43,167
Parks	<u>50,900</u>	<u>50,900</u>	<u>54,760</u>
Total culture and recreation	<u>96,000</u>	<u>96,000</u>	<u>97,927</u>

City of Leslie
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual (Continued)
General Fund
Year Ended June 30, 2007

	Budgeted Amounts		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Total expenditures	\$ 998,145	\$ 1,002,030	\$ 974,876
Revenues Over (Under) Expenditures	<u>47,984</u>	<u>(29,401)</u>	<u>(8,453)</u>
Other Financing Sources (Uses):			
Transfers out	<u>(158,150)</u>	<u>(80,650)</u>	<u>(80,650)</u>
Total other financing sources (uses)	<u>(158,150)</u>	<u>(80,650)</u>	<u>(80,650)</u>
Net Changes in Fund Balances	(110,166)	(110,051)	(89,103)
Fund Balances - Beginning of Year	<u>432,209</u>	<u>432,209</u>	<u>432,209</u>
Fund Balances - End of Year	<u>\$ 322,043</u>	<u>\$ 322,158</u>	<u>\$ 343,106</u>

City of Leslie
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Major Street Fund
Year Ended June 30, 2007

	Budgeted Amounts		
	Original	Final	Actual
Revenues:			
Taxes	\$ 24,000	\$ 22,350	\$ 26,301
State grants	118,990	118,000	111,129
Other	<u>2,000</u>	<u>1,500</u>	<u>9,098</u>
Total revenues	<u>144,990</u>	<u>141,850</u>	<u>146,528</u>
Expenditures:			
General government	<u>3,000</u>	<u>3,000</u>	<u>1,814</u>
Highways and streets:			
Maintenance	203,500	115,500	97,563
Traffic	11,820	12,320	3,802
Winter maintenance	<u>16,400</u>	<u>16,400</u>	<u>10,783</u>
Total highways and streets	<u>231,720</u>	<u>144,220</u>	<u>112,148</u>
Total expenditures	<u>234,720</u>	<u>147,220</u>	<u>113,962</u>
Revenues Over (Under) Expenditures	<u>(89,730)</u>	<u>(5,370)</u>	<u>32,566</u>
Other Financing Sources (Uses):			
Transfers out	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>
Total other financing sources (uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>
Net Changes in Fund Balances	(119,730)	(35,370)	2,566
Fund Balances - Beginning of Year	<u>188,241</u>	<u>188,241</u>	<u>188,241</u>
Fund Balances - End of Year	<u>\$ 68,511</u>	<u>\$ 152,871</u>	<u>\$ 190,807</u>

City of Leslie
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Local Street Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
Taxes	\$ 36,192	\$ 36,192	\$ 49,914
State grants	46,500	46,500	44,210
Other	1,000	1,000	5,892
Total revenues	<u>83,692</u>	<u>83,692</u>	<u>100,016</u>
Expenditures:			
General government	<u>3,000</u>	<u>3,000</u>	<u>618</u>
Highways and streets:			
Maintenance	94,000	101,100	100,710
Traffic	3,850	1,700	1,501
Winter maintenance	<u>12,050</u>	<u>9,150</u>	<u>8,422</u>
Total highways and streets	<u>109,900</u>	<u>111,950</u>	<u>110,633</u>
Total expenditures	<u>112,900</u>	<u>114,950</u>	<u>111,251</u>
Revenues Over (Under) Expenditures	<u>(29,208)</u>	<u>(31,258)</u>	<u>(11,235)</u>
Other Financing Sources (Uses):			
Transfers in	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
Total other financing sources (uses)	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
Net Changes in Fund Balances	792	(1,258)	18,765
Fund Balances - Beginning of Year	<u>136,055</u>	<u>136,055</u>	<u>136,055</u>
Fund Balances - End of Year	<u>\$ 136,847</u>	<u>\$ 134,797</u>	<u>\$ 154,820</u>

Other Supplemental Information

City of Leslie
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 222,383	\$ 85,591	\$ 307,974
Special assessments receivable	-	62,612	62,612
Total assets	<u>\$ 222,383</u>	<u>\$ 148,203</u>	<u>\$ 370,586</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 19,900	\$ -	\$ 19,900
Deferred revenue	-	62,612	62,612
Total liabilities	<u>19,900</u>	<u>62,612</u>	<u>82,512</u>
Fund Balances:			
Unreserved; undesignated	<u>202,483</u>	<u>85,591</u>	<u>288,074</u>
Total fund balances	<u>202,483</u>	<u>85,591</u>	<u>288,074</u>
Total liabilities and fund balances	<u>\$ 222,383</u>	<u>\$ 148,203</u>	<u>\$ 370,586</u>

City of Leslie
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2007

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
Revenues:			
Taxes	\$ -	\$ 37,109	\$ 37,109
Charges for services	7,778	-	7,778
Miscellaneous	<u>10,446</u>	<u>6,502</u>	<u>16,948</u>
Total revenues	<u>18,224</u>	<u>43,611</u>	<u>61,835</u>
Expenditures:			
Public safety	10,737	-	10,737
Debt service:			
Principal payments	-	129,000	129,000
Interest and fiscal charges	-	65,744	65,744
Capital outlay	<u>353,450</u>	<u>-</u>	<u>353,450</u>
Total expenditures	<u>364,187</u>	<u>194,744</u>	<u>558,931</u>
Revenues Over (Under) Expenditures	<u>(345,963)</u>	<u>(151,133)</u>	<u>(497,096)</u>
Other Financing Sources (Uses):			
Operating transfers in	<u>298,000</u>	<u>134,311</u>	<u>432,311</u>
Total other financing sources (uses)	<u>298,000</u>	<u>134,311</u>	<u>432,311</u>
Changes in Fund Balances	(47,963)	(16,822)	(64,785)
Fund Balances - Beginning of Year	<u>250,446</u>	<u>102,413</u>	<u>352,859</u>
Fund Balances - End of Year	<u>\$ 202,483</u>	<u>\$ 85,591</u>	<u>\$ 288,074</u>

City of Leslie
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2007

	<u>Public Improvement Fund</u>	<u>Building Department Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash	\$ 219,876	\$ 2,507	\$ 222,383
Total assets	<u>\$ 219,876</u>	<u>\$ 2,507</u>	<u>\$ 222,383</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 19,900	\$ -	\$ 19,900
Total liabilities	<u>19,900</u>	<u>-</u>	<u>19,900</u>
Fund Balances:			
Unreserved; undesignated	<u>199,976</u>	<u>2,507</u>	<u>202,483</u>
Total liabilities and fund balances	<u>\$ 219,876</u>	<u>\$ 2,507</u>	<u>\$ 222,383</u>

City of Leslie
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2007

	Public Improvement Fund	Building Department Fund	Total
Revenues:			
Charges for services	\$ -	\$ 7,778	\$ 7,778
Miscellaneous	<u>10,283</u>	<u>163</u>	<u>10,446</u>
Total revenues	<u>10,283</u>	<u>7,941</u>	<u>18,224</u>
Expenditures:			
Public safety	-	10,737	10,737
Capital outlay	<u>353,450</u>	<u>-</u>	<u>353,450</u>
Total expenditures	<u>353,450</u>	<u>10,737</u>	<u>364,187</u>
Revenues Over (Under) Expenditures	<u>(343,167)</u>	<u>(2,796)</u>	<u>(345,963)</u>
Other Financing Sources (Uses):			
Operating transfers in	<u>293,600</u>	<u>4,400</u>	<u>298,000</u>
Total other financing sources (uses)	<u>293,600</u>	<u>4,400</u>	<u>298,000</u>
Net Changes in Fund Balances	(49,567)	1,604	(47,963)
Fund Balances - Beginning of Year	<u>249,543</u>	<u>903</u>	<u>250,446</u>
Fund Balances - End of Year	<u>\$ 199,976</u>	<u>\$ 2,507</u>	<u>\$ 202,483</u>

City of Leslie
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Major Street Fund
Year Ended June 30, 2007
(With Comparative Actual Amounts for the Year Ended June 30, 2006)

	<u>2007</u>		<u>2006</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
			<u>Actual</u>
Revenues:			
Taxes and special assessments	\$ 22,350	\$ 26,301	\$ 3,951
Intergovernmental:			
State shared revenue - gas and weight tax	114,100	107,410	(6,690)
Build Michigan	3,900	3,719	(181)
Total intergovernmental	118,000	111,129	(6,871)
Other:			
Interest	1,500	9,098	7,598
Total revenues	141,850	146,528	4,678
Expenditures:			
General government	3,000	1,814	1,186
Highways and streets:			
Maintenance:			
Salaries	17,000	19,426	(2,426)
Fringe benefits	5,500	7,307	(1,807)
Supplies and materials	14,000	1,932	12,068
Contracted services	61,000	50,977	10,023
Equipment rental	18,000	17,921	79
Total maintenance	115,500	97,563	17,937
Traffic:			
Salaries	4,000	807	3,193
Fringe benefits	1,320	62	1,258
Supplies and materials	3,000	166	2,834
Contracted services	2,000	1,210	790
Equipment rental	2,000	1,557	443
Total traffic	12,320	3,802	8,518
Winter maintenance:			
Salaries	3,000	2,400	600
Fringe benefits	900	559	341
Supplies and materials	4,000	4,379	(379)
Equipment rental	8,500	3,445	5,055
Total winter maintenance	16,400	10,783	5,617
Total highways and streets	144,220	112,148	32,072
Total expenditures	147,220	113,962	33,258

City of Leslie
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Major Street Fund
Year Ended June 30, 2007
(With Comparative Actual Amounts for the Year Ended June 30, 2006)

	<u>2007</u>		<u>2006</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Actual</u>
Revenues Over (Under) Expenditures	<u>\$ (5,370)</u>	<u>\$ 32,566</u>	<u>\$ 37,936 \$ (13,606)</u>
Other Financing Sources (Uses):			
Operating transfers out	<u>(30,000)</u>	<u>(30,000)</u>	<u>- (30,000)</u>
Total other financing sources (uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>- (30,000)</u>
Net Changes in Fund Balances	<u>(35,370)</u>	<u>2,566</u>	<u>37,936 (43,606)</u>
Fund Balances - Beginning of Year	<u>188,241</u>	<u>188,241</u>	<u>- 135,136</u>
Fund Balances - End of Year	<u>\$ 152,871</u>	<u>\$ 190,807</u>	<u>\$ 37,936 \$ 91,530</u>

City of Leslie
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Local Street Fund
Year Ended June 30, 2007
(With Comparative Actual Amounts for the Year Ended June 30, 2006)

	<u>2007</u>		<u>2006</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Actual</u>
Revenues:			
Taxes and special assessments	\$ 36,192	\$ 49,914	\$ 13,722 \$ 61,033
Intergovernmental:			
State shared revenue - gas and weight tax	37,700	36,140	(1,560) 36,362
Metro Act maintenance fee	7,500	6,819	(681) 14,261
Build Michigan	1,300	1,251	(49) 1,245
Total intergovernmental	46,500	44,210	(2,290) 51,868
Other:			
Interest	1,000	5,892	4,892 4,005
Total revenues	83,692	100,016	16,324 116,906
Expenditures:			
General government	3,000	618	2,382 899
Highways and streets:			
Maintenance:			
Salaries	15,900	15,742	158 10,588
Fringe benefits	5,500	5,497	3 4,055
Supplies and materials	3,000	1,914	1,086 1,455
Contracted services	66,700	66,692	8 86,511
Equipment rental	10,000	10,865	(865) 11,396
Total maintenance	101,100	100,710	390 114,005
Traffic:			
Salaries	400	269	131 225
Fringe benefits	100	21	79 17
Supplies and materials	200	180	20 874
Equipment rental	1,000	1,031	(31) 997
Total traffic	1,700	1,501	199 2,113
Winter maintenance:			
Salaries	2,000	1,656	344 1,157
Fringe benefits	550	502	48 383
Supplies and materials	4,000	3,702	298 1,367
Equipment rental	2,600	2,562	38 3,002
Total winter maintenance	9,150	8,422	728 5,909
Total highways and streets	111,950	110,633	1,317 122,027
Total expenditures	114,950	111,251	3,699 122,926

City of Leslie
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Local Street Fund
Year Ended June 30, 2007
(With Comparative Actual Amounts for the Year Ended June 30, 2006)

	<u>2007</u>		<u>2006</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues Over (Under) Expenditures	\$ (31,258)	\$ (11,235)	\$ 20,023	\$ (6,020)
Other Financing Sources (Uses):				
Operating transfers in	<u>30,000</u>	<u>30,000</u>	-	<u>30,000</u>
Total other financing sources (uses)	<u>30,000</u>	<u>30,000</u>	-	<u>30,000</u>
Net Changes in Fund Balances	(1,258)	18,765	20,023	23,980
Fund Balances - Beginning of Year	<u>136,055</u>	<u>136,055</u>	-	<u>112,074</u>
Fund Balances - End of Year	<u>\$ 134,797</u>	<u>\$ 154,820</u>	<u>\$ 20,023</u>	<u>\$ 136,054</u>

City of Leslie
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2007

	General Obligation	Street Obligation					
		Streetscape	Sherman			LDFA	
	2002 Debt	2000 Debt	Debt	1998 Debt	1994 Debt	1994 Debt	Total
	Fund	Fund	Fund	Fund	Fund	Fund	
<u>Assets</u>							
Cash and cash equivalents	\$ 28,532	\$ 7,013	\$ 6,145	\$ 43,901	\$ -	\$ -	\$ 85,591
Special assessments receivable	-	10,205	15,087	37,320	-	-	62,612
Total assets	<u>\$ 28,532</u>	<u>\$ 17,218</u>	<u>\$ 21,232</u>	<u>\$ 81,221</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,203</u>
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Deferred revenue	\$ -	\$ 10,205	\$ 15,087	\$ 37,320	\$ -	\$ -	\$ 62,612
Fund Balances:							
Unreserved; undesignated	28,532	7,013	6,145	43,901	-	-	85,591
Total liabilities and fund balances	<u>\$ 28,532</u>	<u>\$ 17,218</u>	<u>\$ 21,232</u>	<u>\$ 81,221</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,203</u>

City of Leslie
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Debt Service Funds
Year Ended June 30, 2007

	General Obligation		Street Obligation			LDFA	
	Streetscape	Sherman					
	2002 Debt	2000 Debt	Debt	1998 Debt	1994 Debt	1994 Debt	Total
	Fund	Fund	Fund	Fund	Fund	Fund	
Revenues:							
Taxes	\$ 19,406	\$ 2,486	\$ 3,145	\$ 6,776	\$ 5,296	\$ -	\$ 37,109
Other	76	952	1,461	3,721	292	-	6,502
Total revenues	19,482	3,438	4,606	10,497	5,588	-	43,611
Expenditures:							
Principal payments	15,000	19,000	5,000	15,000	20,000	55,000	129,000
Interest	11,260	12,790	1,609	6,218	555	30,695	63,127
Other	275	550	275	600	392	525	2,617
Total expenditures	26,535	32,340	6,884	21,818	20,947	86,220	194,744
Revenues Over (Under) Expenditures	(7,053)	(28,902)	(2,278)	(11,321)	(15,359)	(86,220)	(151,133)
Other Financing Sources (Uses):							
Operating transfers in	-	26,778	-	7,063	14,250	86,220	134,311
Total other financing sources (uses)	-	26,778	-	7,063	14,250	86,220	134,311
Net Changes in Fund Balances	(7,053)	(2,124)	(2,278)	(4,258)	(1,109)	-	(16,822)
Fund Balances - Beginning of Year	35,585	9,137	8,423	48,159	1,109	-	102,413
Fund Balances - End of Year	\$ 28,532	\$ 7,013	\$ 6,145	\$ 43,901	\$ -	\$ -	\$ 85,591

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2007
(With Comparative Actual Amounts for the Year Ended June 30, 2006)

	<u>2007</u>			<u>2006</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues:				
Taxes:				
Current property taxes	\$ 519,000	\$ 492,223	\$ (26,777)	\$ 493,221
Trailer tax	450	491	41	413
Total taxes	<u>519,450</u>	<u>492,714</u>	<u>(26,736)</u>	<u>493,634</u>
Licenses and permits:				
Business licenses and permits	400	286	(114)	464
Intergovernmental:				
State shared revenue	268,229	260,447	(7,782)	266,504
Total intergovernmental	<u>268,229</u>	<u>260,447</u>	<u>(7,782)</u>	<u>266,504</u>
Charges for services:				
Collection fees	26,500	41,775	15,275	26,364
Other:				
Interest	12,000	21,383	9,383	20,696
Cable television franchise fee	10,000	8,513	(1,487)	9,330
Pool donations	15,650	19,491	3,841	23,778
Other	15,500	17,875	2,375	58,405
Total other	<u>53,150</u>	<u>67,262</u>	<u>14,112</u>	<u>112,209</u>
Reimbursements:				
Woodland Cemetery	50,900	49,939	(961)	53,692
Total reimbursements	<u>50,900</u>	<u>49,939</u>	<u>(961)</u>	<u>53,692</u>
Contributions:				
DDA administration contribution	5,000	5,000	-	5,000
EDC administration contribution	5,000	5,000	-	5,000
Water and sewer contribution	15,000	15,000	-	-
LDFA administration contribution	15,000	15,000	-	-
LDFA contribution to fire department	14,000	14,000	-	5,000
Total contributions	<u>54,000</u>	<u>54,000</u>	<u>-</u>	<u>15,000</u>
Total revenues	<u>972,629</u>	<u>966,423</u>	<u>(6,206)</u>	<u>967,867</u>

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2007
(With Comparative Actual Amounts for the Year Ended June 30, 2006)

	<u>2007</u>		<u>2006</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Expenditures:				
General government:				
Council				
Salaries	\$ 13,000	\$ 12,255	\$ 745	\$ 12,760
Fringe benefits	1,000	938	62	976
Other	<u>3,250</u>	<u>2,141</u>	<u>1,109</u>	<u>2,693</u>
Total council	<u>17,250</u>	<u>15,334</u>	<u>1,916</u>	<u>16,429</u>
Administrative				
Salaries	60,390	63,721	(3,331)	52,320
Fringe benefits	30,620	29,772	848	15,120
Other	<u>3,000</u>	<u>1,479</u>	<u>1,521</u>	<u>1,823</u>
Total administrative	<u>94,010</u>	<u>94,972</u>	<u>(962)</u>	<u>69,263</u>
Assessor				
Contracted services	18,000	17,400	600	17,300
Other	<u>1,400</u>	<u>1,302</u>	<u>98</u>	<u>1,200</u>
Total assessor	<u>19,400</u>	<u>18,702</u>	<u>698</u>	<u>18,500</u>
Attorney	<u>10,000</u>	<u>4,825</u>	<u>5,175</u>	<u>14,291</u>
Clerk				
Salaries	45,700	48,074	(2,374)	47,425
Fringe benefits	27,025	25,923	1,102	26,203
Other	<u>1,700</u>	<u>1,860</u>	<u>(160)</u>	<u>1,077</u>
Total clerk	<u>74,425</u>	<u>75,857</u>	<u>(1,432)</u>	<u>74,705</u>
Treasurer				
Salaries	51,840	52,078	(238)	53,092
Fringe benefits	15,002	13,656	1,346	15,294
Other	<u>2,100</u>	<u>744</u>	<u>1,356</u>	<u>1,898</u>
Total treasurer	<u>68,942</u>	<u>66,478</u>	<u>2,464</u>	<u>70,284</u>
Board of review				
Salaries	550	550	-	387
Fringe benefits	<u>45</u>	<u>42</u>	<u>3</u>	<u>30</u>
Total board of review	<u>595</u>	<u>592</u>	<u>3</u>	<u>417</u>

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2007
(With Comparative Actual Amounts for the Year Ended June 30, 2006)

	<u>2007</u>			<u>2006</u>
			<u>Favorable</u>	
	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>	<u>Actual</u>
Expenditures (continued):				
General government (continued):				
City hall				
Salaries	\$ 750	\$ 542	\$ 208	391
Fringe benefits	60	41	19	30
Supplies	10,000	9,876	124	9,270
Contracted services	14,000	14,003	(3)	12,751
Insurance	750	604	146	628
Utilities	10,000	8,026	1,974	7,582
Maintenance	1,750	3,976	(2,226)	792
Other	3,100	1,869	1,231	3,794
Capital outlay	<u>8,000</u>	<u>4,838</u>	<u>3,162</u>	<u>8,179</u>
Total city hall	<u>48,410</u>	<u>43,775</u>	<u>4,635</u>	<u>43,417</u>
Library				
Salaries	500	306	194	192
Fringe benefits	50	23	27	15
Contracted services	500	731	(231)	157
Maintenance	300	67	233	716
Insurance	<u>600</u>	<u>425</u>	<u>175</u>	<u>451</u>
Total library	<u>1,950</u>	<u>1,552</u>	<u>398</u>	<u>1,531</u>
Cemetery				
Salaries	39,180	39,908	(728)	36,403
Fringe benefits	9,250	9,230	20	10,669
Contributions	<u>21,000</u>	<u>21,000</u>	<u>-</u>	<u>20,500</u>
Total cemetery	<u>69,430</u>	<u>70,138</u>	<u>(708)</u>	<u>67,572</u>
Other				
Elections	6,600	5,275	1,325	2,740
Supplies	200	-	200	133
Contracted services	500	714	(214)	413
Insurance and bonds	15,500	12,567	2,933	14,357
Other	<u>30,453</u>	<u>29,911</u>	<u>542</u>	<u>28,274</u>
Total other	<u>53,253</u>	<u>48,467</u>	<u>4,786</u>	<u>45,917</u>
Total general government	<u>457,665</u>	<u>440,692</u>	<u>16,973</u>	<u>422,326</u>

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2007
(With Comparative Actual Amounts for the Year Ended June 30, 2006)

	<u>2007</u>		<u>2006</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Expenditures (continued):				
Public safety:				
Police				
Salaries	\$ 159,609	\$ 155,071	\$ 4,538	\$ 156,804
Fringe benefits	46,031	50,006	(3,975)	42,090
Gas and oil	4,500	5,679	(1,179)	5,177
Supplies	4,700	4,545	155	3,531
Contracted services	3,500	6,237	(2,737)	4,175
Insurance	9,600	9,983	(383)	8,798
Utilities	9,000	11,512	(2,512)	9,651
Maintenance	3,000	2,604	396	3,342
Equipment rental	15,000	15,000	-	15,000
Other	500	538	(38)	448
Legal	<u>3,000</u>	<u>-</u>	<u>3,000</u>	<u>2,479</u>
Total police	<u>258,440</u>	<u>261,175</u>	<u>(2,735)</u>	<u>251,495</u>
Fire				
Salaries	17,000	12,386	4,614	15,813
Fringe benefits	2,800	948	1,852	2,724
Supplies	6,900	4,752	2,148	3,583
Contracted services	1,500	880	620	1,578
Insurance	4,000	6,361	(2,361)	2,923
Utilities	5,400	6,373	(973)	5,815
Maintenance	3,000	2,769	231	3,072
Equipment rental	20,000	20,000	-	15,000
Other	7,585	7,295	290	6,630
Capital outlay	<u>3,000</u>	<u>2,255</u>	<u>745</u>	<u>3,238</u>
Total fire	<u>71,185</u>	<u>64,019</u>	<u>7,166</u>	<u>60,376</u>
Total public safety	<u>329,625</u>	<u>325,194</u>	<u>4,431</u>	<u>311,871</u>
Highways, streets and transportation:				
Street lights				
Utilities	<u>32,000</u>	<u>30,197</u>	<u>1,803</u>	<u>31,764</u>

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2007
(With Comparative Actual Amounts for the Year Ended June 30, 2006)

	<u>2007</u>		<u>2006</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Expenditures (continued):				
Highways, streets and transportation (continued):				
Sidewalks				
Salaries	\$ 2,500	\$ 324	\$ 2,176	\$ 414
Fringe benefits	200	25	175	37
Equipment rental	3,000	1,150	1,850	1,786
Contracted services	<u>1,000</u>	<u>261</u>	<u>739</u>	<u>-</u>
Total sidewalks	<u>6,700</u>	<u>1,760</u>	<u>4,940</u>	<u>2,237</u>
Public works department				
Salaries	35,000	29,281	5,719	34,344
Fringe benefits	10,540	11,759	(1,219)	10,369
Materials and supplies	5,500	5,785	(285)	5,446
Contracted services	3,000	5,243	(2,243)	3,017
Insurance	3,500	3,258	242	3,305
Utilities	7,000	6,655	345	6,535
Maintenance	7,500	9,857	(2,357)	7,614
Attorney fees	500	769	(269)	279
Gas and oil	6,500	6,399	101	5,931
Capital outlay	<u>1,000</u>	<u>100</u>	<u>900</u>	<u>288</u>
Total public works department	<u>80,040</u>	<u>79,106</u>	<u>934</u>	<u>77,128</u>
Total highways, streets and transportation	<u>118,740</u>	<u>111,063</u>	<u>7,677</u>	<u>111,129</u>
Culture and recreation:				
Pool				
Salaries	26,000	24,297	1,703	20,984
Fringe benefits	2,100	1,859	241	1,605
Supplies	8,500	9,305	(805)	8,493
Other	1,800	1,935	(135)	1,747
Utilities	3,500	3,494	6	2,826
Maintenance	500	310	190	1,014
Insurance	1,500	1,230	270	1,339
Capital outlay	<u>1,200</u>	<u>737</u>	<u>463</u>	<u>1,353</u>
Total pool	<u>45,100</u>	<u>43,167</u>	<u>1,933</u>	<u>39,361</u>

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2007
(With Comparative Actual Amounts for the Year Ended June 30, 2006)

	<u>2007</u>			<u>2006</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Expenditures (continued):				
Culture and recreation (continued):				
Parks				
Salaries	\$ 12,000	\$ 13,114	\$ (1,114)	\$ 11,899
Fringe benefits	3,450	2,891	559	2,514
Contracted services	2,000	814	1,186	(121)
Supplies	1,500	2,339	(839)	2,914
Insurance	650	683	(33)	757
Utilities	1,500	1,448	52	1,487
Other	13,500	11,941	1,559	12,072
Capital outlay	<u>16,300</u>	<u>21,530</u>	<u>(5,230)</u>	<u>2,116</u>
Total parks	<u>50,900</u>	<u>54,760</u>	<u>(3,860)</u>	<u>33,638</u>
Total culture and recreation	<u>96,000</u>	<u>97,927</u>	<u>(1,927)</u>	<u>72,999</u>
Total expenditures	<u>1,002,030</u>	<u>974,876</u>	<u>27,154</u>	<u>918,325</u>
Revenues Over (Under) Expenditures	<u>(29,401)</u>	<u>(8,453)</u>	<u>20,948</u>	<u>49,542</u>
Other Financing Sources (Uses):				
Operating transfers (out)	<u>(80,650)</u>	<u>(80,650)</u>	<u>-</u>	<u>(17,000)</u>
Total other financing sources (uses)	<u>(80,650)</u>	<u>(80,650)</u>	<u>-</u>	<u>(17,000)</u>
Net Changes in Fund Balances	<u>(110,051)</u>	<u>(89,103)</u>	<u>20,948</u>	<u>32,542</u>
Fund Balances - Beginning of Year	<u>432,209</u>	<u>432,209</u>	<u>-</u>	<u>399,668</u>
Fund Balances - End of Year	<u>\$ 322,158</u>	<u>\$ 343,106</u>	<u>\$ 20,948</u>	<u>\$ 432,210</u>

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2007

General Obligations - Unlimited Tax Bonds

Series 1994 - 1

Purpose: Construction of addition and improvements on the sanitary sewer system

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
December 21, 1994	\$ 495,000				
		6.65%	5/1/2008	\$ 30,000	\$ 15,713
		6.65%	5/1/2009	35,000	13,718
		6.70%	5/1/2010	40,000	11,390
		6.70%	5/1/2011	40,000	8,710
		6.70%	5/1/2012	45,000	6,030
		6.70%	5/1/2013	45,000	1,508
				<u>\$ 235,000</u>	<u>\$ 57,069</u>

General Obligations - Unlimited Tax Bonds

Series 1994 - 2

Purpose: Construction of addition and improvements on the sanitary sewer system

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
August 23, 1994	\$ 530,000				
		5.90%	5/1/2008	\$ 30,000	\$ 11,538
		6.00%	5/1/2009	30,000	9,768
		6.05%	5/1/2010	30,000	7,968
		6.10%	5/1/2011	30,000	6,153
		6.15%	5/1/2012	35,000	4,323
		6.20%	5/1/2013	35,000	2,170
				<u>\$ 190,000</u>	<u>\$ 41,920</u>

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2007

1997 Michigan Transportation Fund Bonds

Purpose: Reconstruction of Bellevue Street

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Principal Due	Interest Payable
June 12, 1997	\$ 250,000				
		5.00%	11/1/2007	\$ 20,000	\$ 5,500
		5.00%	11/1/2008	20,000	4,500
		5.00%	11/1/2009	20,000	3,500
		5.00%	11/1/2010	25,000	2,500
		5.00%	11/1/2011	25,000	1,250
				<u>\$ 110,000</u>	<u>\$ 17,250</u>

General Obligation Bonds

Series 1997A

Purpose: Reconstruction of Bellevue Street

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Principal Due	Interest Payable
June 12, 1997	\$ 285,000				
		5.35%	11/1/2007	\$ 20,000	\$ 7,420
		5.40%	11/1/2008	20,000	6,345
		5.45%	11/1/2009	25,000	5,124
		5.50%	11/1/2010	25,000	3,755
		5.55%	11/1/2011	25,000	2,374
		5.60%	11/1/2012	30,000	840
				<u>\$ 145,000</u>	<u>\$ 25,858</u>

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2007

Special Assessment Bonds

Series 1997A

Purpose: Reconstruction of Bellevue Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
June 12, 1997	\$ 285,000				
		5.35%	11/1/2007	\$ 20,000	\$ 4,915
		5.40%	11/1/2008	20,000	3,840
		5.45%	11/1/2009	20,000	2,755
		5.50%	11/1/2010	20,000	1,660
		5.55%	11/1/2011	20,000	555
				<u>\$ 100,000</u>	<u>\$ 13,725</u>

Special Assessment Bonds

Series 1998

Purpose: Reconstruction of East Bellevue Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
August 6, 1998	\$ 170,000				
		4.55%	11/1/2007	\$ 15,000	\$ 3,889
		4.65%	11/1/2008	15,000	3,199
		4.70%	11/1/2009	15,000	2,498
		4.75%	11/1/2010	15,000	1,789
		4.75%	11/1/2011	15,000	1,076
		4.80%	11/1/2012	15,000	360
				<u>\$ 90,000</u>	<u>\$ 12,811</u>

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2007

General Obligation Bonds

Series 1998

Purpose: Reconstruction of East Bellevue Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
August 6, 1998	\$ 75,000				
		4.55%	11/1/2007	\$ 5,000	\$ 1,536
		4.65%	11/1/2008	5,000	1,306
		4.70%	11/1/2009	5,000	1,073
		4.75%	11/1/2010	5,000	836
		4.75%	11/1/2011	5,000	599
		4.80%	11/1/2012	10,000	240
				<u>\$ 35,000</u>	<u>\$ 5,590</u>

Special Assessment Bonds

Series 2000B

Purpose: Reconstruction of North Sherman Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
August 8, 2000	\$ 53,000				
		5.85%	11/1/2007	\$ 5,000	\$ 1,316
		5.85%	11/1/2008	5,000	1,024
		5.85%	11/1/2009	5,000	731
		5.85%	11/1/2010	5,000	439
		5.85%	11/1/2011	5,000	146
				<u>\$ 25,000</u>	<u>\$ 3,656</u>

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2007

Special Assessment Bonds
Series 2000A

Purpose: Reconstruction of South Main Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
August 8, 2000	\$ 39,000				
		5.85%	11/1/2007	\$ 4,000	\$ 1,053
		5.85%	11/1/2008	4,000	819
		5.85%	11/1/2009	4,000	585
		5.85%	11/1/2010	4,000	351
		5.85%	11/1/2011	4,000	117
				<u>\$ 20,000</u>	<u>\$ 2,925</u>

General Obligation Bonds
Series 2000A

Purpose: Reconstruction of South Main Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
August 1, 2000	\$ 250,000				
		5.50%	5/1/2008	\$ 15,000	\$ 10,678
		5.50%	5/1/2009	15,000	9,853
		5.50%	5/1/2010	15,000	9,028
		5.30%	5/1/2011	20,000	8,233
		5.35%	5/1/2012	20,000	7,163
		5.40%	5/1/2013	25,000	6,083
		5.45%	5/1/2014	25,000	4,720
		5.50%	5/1/2015	30,000	3,345
		5.60%	5/1/2016	30,000	1,680
				<u>\$ 195,000</u>	<u>\$ 60,783</u>

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2007

General Obligation

Series 2002

Purpose: Constructing, furnishing and equipping City share of fire station

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
January 1, 2002	\$ 300,000				
		3.90%	10/1/2007	\$ 15,000	\$ 10,703
		4.10%	10/1/2008	20,000	10,000
		4.25%	10/1/2009	20,000	9,165
		4.40%	10/1/2010	20,000	8,300
		4.50%	10/1/2011	25,000	7,298
		4.60%	10/1/2012	25,000	6,160
		4.70%	10/1/2013	25,000	4,998
		4.80%	10/1/2004	30,000	3,690
		4.90%	10/1/2015	30,000	2,235
		5.00%	10/1/2016	30,000	750
				<u>\$ 240,000</u>	<u>\$ 63,299</u>

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2007

Water Supply System Revenue Bonds

Series 1991

Purpose: Construction of elevated water storage tank and related equipment

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
October 1, 1991	\$ 700,000				
		4.55%	7/1/2008	\$ 50,000	\$ 13,243
		4.65%	7/1/2009	55,000	10,858
		4.70%	7/1/2010	55,000	8,450
		4.75%	7/1/2011	60,000	5,750
		4.80%	7/1/2012	65,000	3,025
				<u>\$ 285,000</u>	<u>\$ 41,326</u>

Sewage Disposal and Water Supply System Number 1 Bonds

Series 1997

Purpose: Acquire, construct and equip sewer and water system improvements

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
May 1, 1997	\$ 575,000				
		5.30%	5/1/2008	\$ 45,000	\$ 19,328
		5.35%	5/1/2009	45,000	15,953
		5.40%	5/1/2010	50,000	12,240
		5.45%	5/1/2011	50,000	8,500
		5.50%	5/1/2012	55,000	4,420
				<u>\$ 245,000</u>	<u>\$ 60,441</u>



Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with
Government Auditing Standards

Honorable Mayor and Members of the City Council
City of Leslie
Leslie, Michigan

We have audited the financial statements of the governmental activities, component units, each major fund, and the aggregate remaining fund information of the City of Leslie as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Leslie's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

WILLIS & JURASEK, P.C.

2545 Spring Arbor Road
Suite 200
Jackson, MI 49203-3690

Phone Number: (517) 788-8660
Fax Number: (517) 788-9872
E-Mail: willis@willispc.com
Web site: www.willispc.com

Honorable Mayor and Members of the City Council
City of Leslie
Leslie, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Leslie's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the State of Michigan, management and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Willis & Jurasek, P.C.".

Willis & Jurasek, P.C.

September 10, 2007



September 10, 2007

Members of City Council
City of Leslie
Leslie, Michigan

We have audited the financial statements of the City of Leslie for the year ended June 30, 2007, and have issued our report thereon dated September 10, 2007.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and no other applications of existing policies were changed during the current year. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

WILLIS & JURASEK, P.C.

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Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no material estimates recorded during the current year.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). There were no significant audit adjustments recorded at year-end.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors


We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information and the attached memorandum is intended solely for the use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Willis & Jurasek, P.C.

City of Leslie
Comments and Recommendations
June 30, 2007

Comprehensive Annual Report and Certificate of Achievement for Excellence in Financial Reporting

We would recommend the City consider revamping the financial statement reporting for the audit report and try to receive the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association. This would require a little more reporting in some areas; specifically a statistical section would be added to the end of the report. Most of the information needed you would already have. We can provide guidance in meeting the requirements for this reporting.

Funds Maintained Manually

The City still has several of the smaller funds that it maintains with manual ledger systems. While the funds are small in nature and do not involve a lot of ledger activity, we would still recommend that all funds be set up and accounted for on your governmental software package used by the City. While it is not imperative that it be done, we feel certain reporting may be strengthened by incorporating all funds in your general ledger package.